



28 July 2016

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 June 2016

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 30 June 2016.

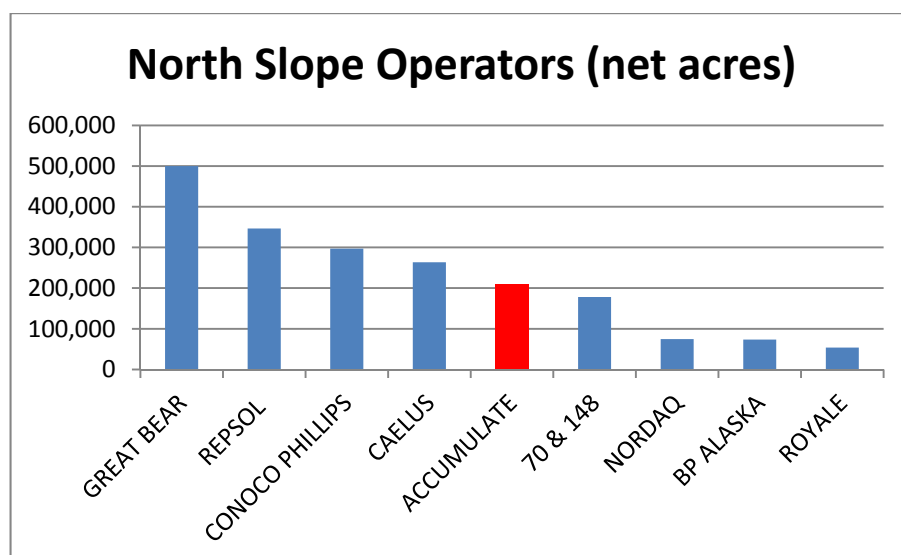
Highlights

- **Acreage Award Finalised for ~173,000 Additional Acres**
 - **88 Energy Now Holds 210,250 Net Acres**
- **Icewine#2H Well and Stimulation Design for HRZ in Final Stages**
 - **Landing Zone Narrowed to Two Horizons**
- **Official Tender Process for Icewine#2H Major Contracts Commenced in July 2016**
 - **Several Suitable Rigs have been Identified for Drilling of Icewine#2H**
- **Well Permitting on Track for Completion Ahead of Scheduled Spud in 1QCY17**
- **Well Performance Modelling Indicates Potential for Improved Economics**
 - **P50 Resource Mid Case Cost Scenario Breakeven Below US\$40 Oil Price**
- **Integrated Petrophysical Model for Young's and Poisson's Validated by Core Data**
- **2D Seismic Initial Results from Processing and Interpretation Expected in August**
- **A\$25m Oversubscribed Placement Completed to Institutional and Sophisticated Investors in Australia and UK, end of June Quarter Net Cash Reserves of A\$20.3m**

Finalisation of Award of Additional ~173,000 Gross Acres

Processing has been completed for the official award of 172,937 acres successfully bid on in the State of Alaska November 2015 Licensing Round. The Icewine Joint Venture now holds title on a total of 271,119 acres, with 210,250 acres net to 88 Energy's 77.5% working interest.

Accumulate Energy Alaska, Inc (100% owned U.S.subsidiary of 88 Energy Ltd) is now the fifth largest net acreage holder of any Operator on the Central North Slope.





Icewine#2H Substantial Progress on All Fronts

The well and stimulation design for Icewine#2H are both in the final stages of completion and are currently being fine-tuned.

In the interim, integration of the latest rock property analysis, including Young's Modulus and Poisson's Ratio (stiffness, compressibility), as well as fluid sensitivities, has resulted in a narrowing of the proposed landing zone to two horizons. The final horizon will be selected based on the optimal stimulated rock volume, which in turn should result in maximum flow potential. Significantly, the results from the latest rock property analysis correlate to the integrated petrophysics, increasing the Company's confidence in the validity of the model.

Early observations indicate that the excellent source reservoir rock characteristics in the HRZ and consequent high potential flow rates should significantly improve the break even price for Project Icewine in the success case scenario.

Internal modelling of well performance vs cost scenarios indicates a range of breakeven oil prices from US\$68/bbl to US\$27/bbl (P90 Resource High Costs to P10 Resource Low Costs) with a mid case outcome of US\$39/bbl (P50 Resource Mid Cost).

Operationally, good progress continues to be made with the identification of several suitable rigs for the drilling of Icewine#2H. The official tender process for all major contracts commenced in July. Permitting remains on track for completion well before the scheduled spud date in Q1 2017.

2D Seismic Status

2D seismic extracts purchased from Franklin Bluffs 3D Speculative Survey:

- Seismic interpretation of the extracted 2D lines in the vicinity of the Icewine#2H well location is anticipated in August.

Icewine 2D seismic acquisition 2016:

- The Icewine 2D seismic data acquired earlier this year by Accumulate Energy comprises a series of regional dip and strike lines spanning the majority of the Project Icewine acreage.
- The 2D dataset is expected to be processed by the end of July, with first look interpretation following in September.

Oversubscribed A\$25m Placement

On the 22nd April, the Company announced the completion of a strongly oversubscribed A\$25m placement to Institutional and Sophisticated investors in Australia and the UK. Funds from the placement are to be applied against the additional acreage purchased (completed), 2D seismic acquisition (completed) and to fund ongoing work associated with the Icewine#2H well, which remains on track for spud in 1Q2017.



The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The significant elements for the period were:

- exploration and evaluation expenditure of A\$14.1m, related to the 2D seismic program and finalisation of payment for ~173,000 gross acres (March 2016 A\$9.6m):
 - Borrowings of A\$4.1 (Bank of America Credit Facility) were used to fund the majority of the operational exploration expenditure (not including acreage purchase);
 - These borrowings are secured against State of Alaska credit rebates with those related to Icewine#1 costs expected to be repaid within 12 months with a small refund net to the Company, once the credits are issued. Seismic rebates are expected next calendar year;
- administration and other operating costs A\$1.2m (March 2016 of A\$0.7m) – the variance in admin costs is due to several one off items paid for this quarter;
- cash raised via placement A\$23.7m (after costs);
- a net cash inflow of A\$12.8m recorded by the Company.

At the end of the quarter, the Company had net cash reserves of A\$20.3 million.



Project Icewine Highlights

In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 78% on spud of the first well on the project) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. In November 2015, the gross acreage position was expanded by 172,937 acres (formal award finalised in June 2016) to 271,119 contiguous acres (210,250 acres net to the Company).

The Project is located on an all year operational access road with both conventional and unconventional oil potential. The primary term for the State leases is 10 years with no mandatory relinquishment and a low 16.5% royalty.

The HRZ liquids-rich resource play has been successfully evaluated based on core obtained in the recently completed (December 2015) Icewine #1 exploration well, marking the completion of Phase I of Project Icewine. Phase II has now commenced, with planning for a horizontal multi-stage fracture stimulated well, Icewine#2H, currently underway.

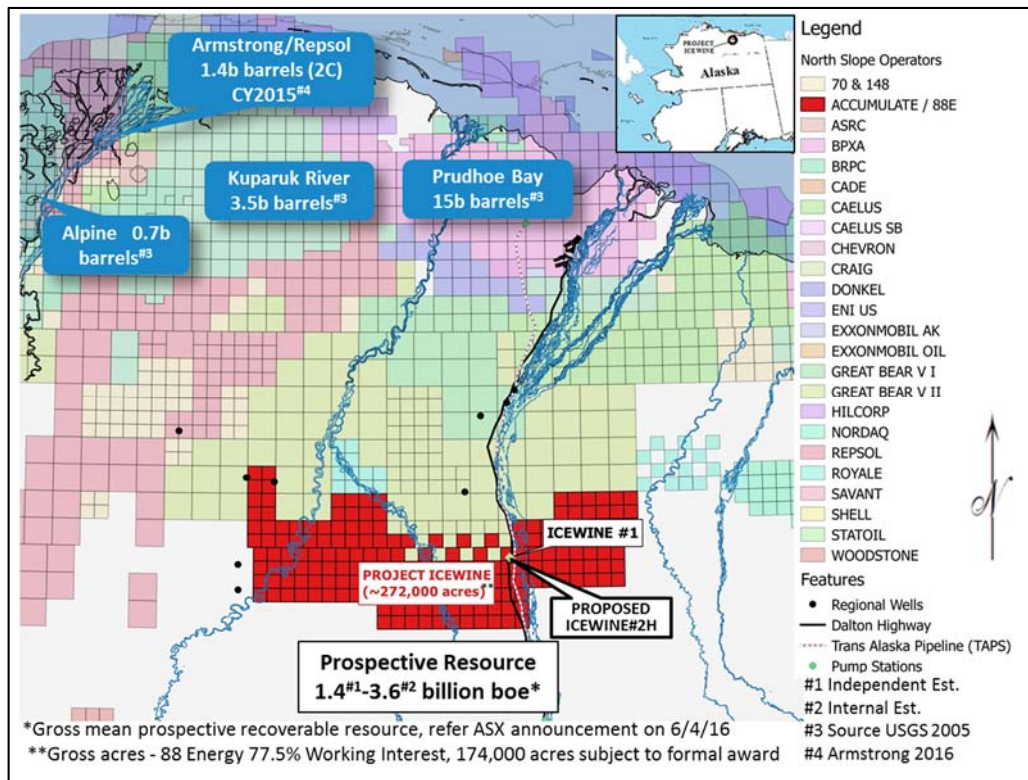


Figure 1: Project Icewine Location

Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.

Generous exploration incentives are provided by the State of Alaska with up to 35% of exploration expenditure refundable in cash.



The primary objective is an untested, unconventional liquids-rich shale play in a prolific source rock, the HRZ shale (Brookian Sequence), that co-sourced the largest oil field in North America; the giant Prudhoe Bay Oil Field Complex. Internal modelling and analysis indicates that Project Icewine is located in a high liquids vapour phase sweetspot analogous to those encountered in other Tier 1 shale plays e.g. the Eagle Ford, Texas.

Conventional play potential can be found at Project Icewine within the same Brookian petroleum system and shallow to the HRZ shale and includes high porosity channel and deep water turbiditic sands. The Brookian conventional play is proven on the North Slope; the USGS (2013) estimate the remaining oil potential to be 2.1 billion barrels just within the Brookian sequence. Additional conventional potential exists in the deeper Kuparuk sands and the Ivashuk Formation.

Drilling in (2012), on the adjacent acreage to the north, confirmed that the HRZ shales, along with the underlying Kingak & Shublik shales, were all within the oil window which is extremely encouraging for the unconventional potential at Project Icewine. In addition, a conventional oil discovery was reported in the Kuparuk sandstones.

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in February 2016 and was released to the market on 6th April 2016.

About 88 Energy: 88 Energy has a 78% working interest and operatorship in ~271,000 acres onshore the prolific North Slope of Alaska ("Project Icewine"). The North Slope is the host for the 15 billion barrel Prudhoe Bay oilfield complex, the largest conventional oil pool in North America. The Company, with its Joint Venture partner Burgundy Xploration, has identified three highly prospective play types that are likely to exist on the Project Icewine acreage – two conventional and one unconventional. The large resource potential of Project Icewine was independently verified by leading international petroleum resource consultant DeGolyer and MacNaughton. In addition to the interpreted high prospectivity, the project is strategically located on a year-round operational access road and only 35 miles south of Pump Station 1 where Prudhoe Bay feeds into the TransAlaska Pipeline System. The Company is currently acquiring seismic to take advantage of the globally unique fiscal system in Alaska, which allows for up to 75% of 1H2016 exploration expenditure to be rebated in cash. The Company recently completed its maiden well at the project, Icewine#1, with excellent results from analysis of core obtained in the HRZ shale. A follow-up well with a horizontal section and multi stage frac, Icewine#2H, is planned for 1Q2017.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

88 ENERGY LIMITED

ABN

80 072 964 179

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts	266	547
1.2	Payments for (a) exploration & evaluation	(14,131)	(23,690)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,173)	(1,835)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	21	27
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – payment of guarantee and bond	-	-
Net Operating Cash Flows		(15,017)	(24,951)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) land & acreage	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(15,017)	(24,951)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(15,017)	(24,951)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	24,868	26,316
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	4,142	10,408
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Repayment of Lease Liabilities	-	-
1.20	Other – capital raising costs	(1,159)	(1,268)
	Net financing cash flows	27,851	35,456
	Net increase (decrease) in cash held	12,834	10,505
1.20	Cash at beginning of quarter/year to date	7,491	9,604
1.21	Exchange rate adjustments to item 1.20	(321)	(105)
1.22	Cash at end of quarter	20,004	20,004

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	448
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

All transactions involving Directors and associates were on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities – Bank of America debt funding facility (US\$50 million)	32,312	17,688
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,380)*
4.2 Development	-
4.3 Production	-
4.4 Administration	(900)
Total	(2,280)

*88 Energy equity contribution not including drawdowns on Bank of America debt funding facility

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	20,004	7,491
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	20,004	7,491

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	North Slope Acreage	Joint Venture (88 Energy 78%)	174,240	174,240 acres

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference				
	+securities				
	<i>(description)</i>				
7.2	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	3,893,180,418	3,893,180,418		Fully paid
7.4	Changes during quarter				
	(a) Increases through issues	476,709,698 238,354,849	476,709,698 238,354,849	\$0.031 \$0.043	Fully Paid
	(b) Exercise of Options	200,000 51,215	200,000 51,215	\$0.02 \$0.016	
	(c) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities				
	<i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		2,500,000		45 cents	31/10/16
		1,000,000		42 cents	12/06/17
		2,000,000		28 cents	12/06/17
		1,000,000		30 cents	22/04/16
		250,000		16 cents	12/06/17
		413,459,650	413,459,650	2 cents	02/03/18
		45,000,000		1.5 cents	18/02/18
		14,224,952		1.6 cents	31/08/18
		62,965,301		2.1 cents	01/11/18
7.8	Issued during quarter				
7.9	Exercised during quarter				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	300,000		70 cents	10/04/16
	Cancelled during the quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 28 July 2016

Print name: Sarah Smith

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.